

February 2004



North Dakota REV-E-NEWS

**From Pam Sharp, Director
Office of Management and Budget
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As a result of timing issues, monthly collections for the month of January fell below projections by \$8.2 million. The last day of the month, which is when taxes are due to the Tax Department, occurred on a weekend. This resulted in over \$8 million of taxes attributable to January being collected in February. Tax collections in February have been strong and the timing issue should resolve itself this month. This situation happens when the end of the month falls on a weekend.

North Dakota's December nonseasonally adjusted unemployment rate was 3.3 percent, which tied for the lowest rate in the nation. The national seasonally adjusted December unemployment rate was 5.7 percent.

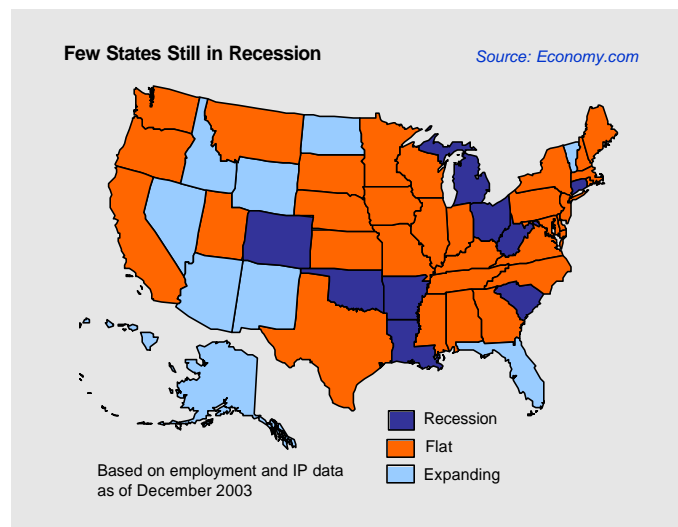
More good news for North Dakota is that taxable sales and purchases increased by

7.8 percent in the third quarter of 2003 compared to the same period one year ago.

The United States economy is growing stronger with real gross domestic product expanding at a rate of over 4 percent. Consumer, business, and government spending are all growing, although the national job market remains soft. Job growth needs to be close to 150,000 jobs per month to ensure that unemployment doesn't rise further and wage gains are sufficient to support consumer spending.

Profits for all companies publicly traded and privately held surged by 25 percent during the third quarter of 2003 and indications are that profits rose sharply again in the fourth quarter.

ND's Economy Expanding



North Dakota's economy is expanding, as shown on the map at the left. The map shows the states that are still in recession, the states that have a flat economy, and the states that have an expanding economy. North Dakota is one of nine states in the nation with an expanding economy.

This map was prepared by Economy.com and is based on employment and industrial production data as of December 2003.

Oil Activity

The price of oil in North Dakota is approximately \$30 per barrel. The rise in recent oil prices is due to lean inventories, colder winter weather and ongoing concerns regarding energy supplies from Iraq, Russia and Venezuela.

North Dakota's oil production in December averaged 80,079 per day, which was up from November's average daily production of 78,793. North Dakota currently has 11 oil rigs drilling compared to 10 one year ago.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2003-05 BIENNIUM
January 2004

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2003 Forecast	Actual	Variance	Percent	March 2003 Forecast	Actual	Variance	Percent
Sales Tax	32,056,000	30,231,777	(1,824,223)	-5.7%	193,105,000	202,407,402	9,302,402	4.8%
Motor Vehicle Excise Tax	5,454,000	5,454,849	849	0.0%	36,972,000	37,127,932	155,932	0.4%
Individual Income Tax	33,357,000	27,356,842	(6,000,158)	-18.0%	115,721,000	112,805,709	(2,915,291)	-2.5%
Corporate Income Tax	4,054,000	2,141,191	(1,912,809)	-47.2%	13,223,000	10,674,766	(2,548,234)	-19.3%
Insurance Premium Tax	150,000	10,543	(139,457)	-93.0%	9,162,000	9,321,786	159,786	1.7%
Financial Institutions Tax	80,000	66,862	(13,138)	-16.4%	80,000	(433,836)	(513,836)	-642.3%
Oil & Gas Production Tax	1,805,000	2,820,644	1,015,644	56.3%	13,350,000	13,826,890	476,890	3.6%
Gaming Tax	900,000	1,361,109	461,109	51.2%	6,800,000	6,941,559	141,559	2.1%
Interest Income	371,000	64,789	(306,211)	-82.5%	2,447,000	525,299	(1,921,701)	-78.5%
Oil Extraction Tax	1,224,000	1,307,429	83,429	6.8%	9,049,000	8,256,226	(792,774)	-8.8%
Cigarette & Tobacco Tax	1,378,000	1,402,713	24,713	1.8%	11,232,000	11,942,842	710,842	6.3%
Departmental Collections	4,370,000	4,654,506	284,506	6.5%	19,994,750	23,391,583	3,396,833	17.0%
Wholesale Liquor Tax	488,000	574,488	86,488	17.7%	3,501,000	3,608,008	107,008	3.1%
Coal Conversion Tax	2,082,000	2,181,692	99,692	4.8%	14,244,000	14,664,142	420,142	2.9%
Mineral Leasing Fees	350,000	270,702	(79,298)	-22.7%	1,610,000	1,859,317	249,317	15.5%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer	174,525	174,525		0.0%	523,575	523,575	-	0.0%
Other Transfers					13,410,000	13,432,572	22,572	0.2%
Total	88,293,525	80,074,663	(8,218,862)	-9.3%	464,424,325	470,875,773	6,451,448	1.4%
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Total Revenues and Transfers	88,293,525	80,074,663	(8,218,862)	-9.3%	464,424,325	520,875,773	56,451,448	12.2%

COMPARISON TO PREVIOUS BIENNIUM REVENUES
2003-05 BIENNIUM
January 2004

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	January 2002	January 2004	Variance	Percent	2001-03	2003-05	Variance	Percent
Sales Tax	30,609,562	30,231,777	(377,785)	-1.2%	189,952,873	202,407,402	12,454,529	6.6%
Motor Vehicle Excise Tax	5,495,938	5,454,849	(41,089)	-0.7%	37,100,923	37,127,932	27,009	0.1%
Individual Income Tax	33,129,910	27,356,842	(5,773,068)	-17.4%	113,158,052	112,805,709	(352,343)	-0.3%
Corporate Income Tax	3,677,791	2,141,191	(1,536,600)	-41.8%	13,329,952	10,674,766	(2,655,186)	-19.9%
Insurance Premium Tax	14,977	10,543	(4,434)	-29.6%	7,343,403	9,321,786	1,978,383	26.9%
Financial Institutions Tax	22,891	66,862	43,971	192.1%	384,770	(433,836)	(818,606)	-212.8%
Oil & Gas Production Tax	1,614,975	2,820,644	1,205,669	74.7%	10,901,141	13,826,890	2,925,749	26.8%
Gaming Tax	945,428	1,361,109	415,681	44.0%	7,188,366	6,941,559	(246,807)	-3.4%
Interest Income	179,718	64,789	(114,929)	-63.9%	2,702,172	525,299	(2,176,873)	-80.6%
Oil Extraction Tax	748,506	1,307,429	558,923	74.7%	6,384,103	8,256,226	1,872,123	29.3%
Cigarette & Tobacco Tax	1,460,111	1,402,713	(57,398)	-3.9%	12,151,687	11,942,842	(208,845)	-1.7%
Departmental Collections	4,369,994	4,654,506	284,512	6.5%	19,215,633	23,391,583	4,175,950	21.7%
Wholesale Liquor Tax	474,128	574,488	100,360	21.2%	3,282,874	3,608,008	325,134	9.9%
Coal Conversion Tax	2,021,371	2,181,692	160,321	7.9%	13,477,723	14,664,142	1,186,419	8.8%
Mineral Leasing Fees	157,000	270,702	113,702	72.4%	1,456,201	1,859,317	403,116	27.7%
Bank of North Dakota-Transfer					15,000,000		(15,000,000)	-100.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer	170,424	174,525	4,101	2.4%	511,272	523,575	12,303	2.4%
Other Transfers			-	100.0%	68,240	13,432,572	13,364,332	100.0%
Total	85,092,724	80,074,661	(5,018,063)	-5.9%	453,609,385	470,875,772	17,266,387	3.8%
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Total Revenues and Transfers	85,092,724	80,074,661	(5,018,063)	-5.9%	453,609,385	520,875,772	67,266,387	14.8%

Revenue Variances

Once again, timing issues adversely affected monthly revenues. Total revenue collections, as well as revenue collections for most tax types, exceed projections for the biennium to date; however, various timing issues affected tax collections for the month of January.

Sales tax collections for the month of January were \$1.8 million less than forecast. However, once again the monthly collections were adversely affected by the month ending on a weekend. This results in a timing issue that should be corrected in February collections. Biennium-to-date sales tax collections continue to exceed projections by nearly 5 percent.

Individual income tax collections were also adversely affected due to the withholding due date falling on a weekend. January collections were \$6 million less than estimated; however, withholding collections received during the first working day of February and attributable to January were approximately \$7.6 million. Consequently, February collections are anticipated to correct this timing issue.

Corporate income tax collections fell short of projections due to large refunds. January collections were \$1.9 million less than projected. However, strong audit collections anticipated for the month of February should bring biennium to date collections closer to estimates.

Oil and gas production taxes exceeded projections by over \$1 million due to strong oil prices and increased oil production.

Biennium-to-date collections for cigarette and tobacco taxes are ahead of projections by \$710,842. This overage is due to a bankruptcy discharge from a previous liability, not due to an increase in consumption.

Overall, biennium to date revenue collections through the month of January exceed projections by \$6.5 million, excluding the \$50 million of federal fiscal relief payments received by the state.

Comments or Questions???

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